Case Study: Santander

Improving risk metrics in a challenging environment with collections capability and analytics

Experian
Decision Analytics

About Santander

Banco Santander is the eurozone's leading bank. Founded in 1857, since then, the bank has built a global presence in retail banking and consumer finance through its brands Santander and Santander Consumer Finance. Through them, Santander provides a broad range of financial services to consumer and business customers.

"Our strong analytical capabilities combined with the powerful Tallyman collections platform has improved our main risk metrics."

- Magda Salarich, Santander Consumer Finance CEO

"Due to the success of Tallyman at Santander Spain, our plan is to accelerate the implementation of the system across the rest of the Santander Group."

- Jose Mª Fuster, Global CEO for Technology and Operations

Challenge

Santander has developed a global franchise with a strong commitment to growing the business through the enhancement of customer relations and an active cross-selling strategy.

To assure that the growth strategy was not hit by the financial crisis, Santander started to redesign its global collection model to ensure that the benefts of the growth strategy were not overlapped by an unexpected increase in delinquency levels.

The bank searched for a partner who could deliver a collections platform that would help to resolve their collections challenge and also achieve the key management objectives identified for recovery in the financial crisis:
- Keeping costs static
- Improving the customer experience

Santander aimed to achieve these objectives while maintaining the risk quality of the loan portfolio. They also determined that the branches, a key element of the bank's customer-centric approach, should be able to access key information on the profile of each customer in collections to enable them to personalise debt solutions.

Decision Analytics answer

Santander's Spanish operation selected Experian's Tallyman operational collections system.

The highly configurable and flexible system for end-to-end collections process and workflow met Santander's business and technical requirements, allowing quick changes in a dynamic business market.

Experian's accumulated knowledge and expertise gained from implementing leading collections solutions around the world and the local presence of Experian resources was also key to the selection of Tallyman.

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Benefits

- Santander Consumer Finance's Gross Risk Premium reduced by 83 percent to €99 million
- Reduced operational costs with automation of manual processes
- Significantly reduced write-offs
- Improved staff productivity with collectors focused on high value activities
- Continual monitoring and improving the performance of the arrears book and collections processes
- Full integration with Santander's corporate systems facilitates easy rollouts throughout the Santander group

Incorporating analytics in the collections process

The Tallyman platform enables the bank to segment customers based on their risk profile. This is determined using behavioural and collections scoring and used to execute individual collections treatments. Customers are finely segmented according to a wide range of variables to create an accurate profile that drives the most appropriate collections treatment according to the level of risk and value that the customer represents.

Collections actions can be effectively prioritised and strategies implemented to achieve the business's objectives, such as reducing the cost to collect by leaving habitual late payers to self cure and delaying the follow up activity for low risk customers, enabling resources to be focused on high risk, high value customers to maximise recovery.

The system automates collections activities on lower risk, lower value accounts to minimise manual intervention.

Santander have integrated their predictive dialler to enhance the speed and efficiency of collections and significantly reduce the cost to collect. The platform unifies collection actions throughout a multichannel environment, not only covering Santander's channels but also integrating external debt collection agencies (DCAs) and legal offices.

Tallyman enables Santander to manage its customers in arrears in a more holistic way by providing the ability to deploy customer-centric activities which closely match both the value of the customer and the overall credit risk they represent.

Continual monitoring and improvement

Champion/Challenger analytical tools enable Santander to test new strategies in a real-time, controlled live environment to enable a cycle of continuous improvement.

Results

The implementation of Tallyman at Santander in Spain, combined with the creation of a Collections Business Unit has significantly reduced Santander's Gross Risk Premium (the last 12 months variation in delinquency balance plus net write-offs for the period.) At Santander Consumer Finance in Spain this improvement represents an **83 percent reduction** in their Gross Risk Premium to €99 million.

The integration of Tallyman with Santander's internal systems enables easy deployments of the system across the group. Due to its success in Spain, the bank is now extending its collection model across all geographies and businesses, ensuring that it covers and supports different collection strategies for its markets and business units.